78-1831

No. 78-1381

In the
Supreme Court of the United States
OCTOBER TERM, 1978

HESSTON CORPORATION,
Petitioner,
vs.
DEERE & COMPANY,
Respondent.

On Petition for Writ of Certiorari to the
United States Court of Appeals for the Tenth Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

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CITATIONS IN THIS BRIEF

The citations in this brief are either to the text of the petition for certiorari, the petitioner's appendix integrally bound therewith, or to the appendix which accompanies this brief.

Since the pages of the petition and the two appendices are distinctively numbered, citations herein specify only the page number to which the Court's attention is invited. Thus, a citation "(pp. 2-4)" refers the Court to the petition, a citation such as "(A4-A6)" is a reference to petitioner's appendix, and a citation in the form "(11b-13b)" alludes to the respondent's appendix, bound with this brief.

Throughout this brief, except where otherwise indicated, emphasis in quotations has been added.

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Respondent agrees that this Court has jurisdiction, under 28 U.S.C., §1254(1), to consider the petition for writ of certiorari in this case. The petition, however, presents no question deserving of this Court's attention, and the complaints voiced in it are without substance.

Petitioner notwithstanding, the case involves no novel or disputed question of law. The invalidity of petitioner's patents was established under settled rules of law by the *facts,* as found by the District Court and unanimously affirmed by the Court of Appeals.

Even a casual reading of petitioner's "Statement of the Case" (pp. 5-11) reveals unwillingness to face the facts as the District Court found them. For what petitioner's statement does contain, it justly rates criticism, since many of its assertions — blandly made without record references — are squarely in conflict with the findings made below. And for what it does not contain, petitioner's statement rates even more criticism, saying as it does literally nothing about the most important facts in the case! (We refer to the prior art in view of which the petitioner's patents were held invalid for obviousness.)

Inasmuch as petitioner has not fairly stated the case, we shall in the following paragraphs undertake to do so.

COUNTER-STATEMENT OF THE CASE

A. Petitioner's Patents in Suit.

Of the eight patents in suit, Nos. 3,728,849 and 3,828,535 were issued to petitioner as assignee of one Cordell Lundahl of Logan, Utah; those patents, respectively directed to a method for making haystacks and a machine for that purpose, were referred to in the District Court's opinion as "Lundahl I" and "Lundahl II" (A3), and they will be similarly designated in this brief.

Patents in suit No. 3,556,327 (directed to a haystacking machine) and No. 3,847,072 (directed to a haystacking method) were taken out by petitioner on patent applications filed in the name of its engineering employee Keith Garrison. In the District Court's opinion (A3) and in this brief, those patents are respectively referred to as "Garrison I" and "Garrison II".

Both the Lundahl and Garrison patents purport to claim haystacking machines or methods in broad terms;

collectively they constitute, as the District Court noted (A4), the four major patents in issue.

The other four patents in suit relate not to broad concepts but rather to structural details such as door latches and tailgate actuators; they were referred to in the District Court's opinion (A19) as the "minor patents".

In chronological terms, the machine and method disclosed in the Lundahl patents long antedated the machine and method claimed in the Garrison patents, Garrison's work having been done in the course of modifying the 1966-67 Lundahl machine to adapt it for commercial production (A6, A18). The initial patent application from which the Garrison patents matured was, however, filed by petitioner several months before petitioner filed any application on Lundahl's work (A6).*

B. The Prior Art Relating To Haystacking Machines As It Existed Before Cordell Lundahl Began His Work.

While the petition does not admit it, stack-forming wagons were in fact old art long before either petitioner or Cordell Lundahl entered the field (A14-A15). And those early wagons included means for performing all of the functions of petitioner's present day machines, though on a smaller scale.**

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* As the District Court found (A4-A6), Lundahl's early work on machines for making haystacks was sponsored by a family-owned company called Ezra C. Lundahl, Inc. After petitioner became interested in Lundahl's ideas, it acquired the assets of Ezra C. Lundahl, Inc. and directed its own engineer Keith Garrison "to complete and to reduce to practice a haystacking wagon based on Cordell Lundahl's original concepts".

** It is self-evident that a machine having only a team of horses as a source of power could not in the nature of things form and transport haystacks weighing several tons, as modern tractor-powered machines are able to do.

Examples of such prior-art haystack-forming wagons are those disclosed in the Hale, Isom, and Sutherland patents, summarized in some detail in the District Court's opinion (A14-A15). Anent them, the District Court wrote:

> "The prior art cited by Deere and by the patent examiners clearly reveals that each element of the Hesston combination patents and the four minor patents was disclosed in earlier patents. The Hale and Isom patents, for example, taught picking up hay from the field and elevating it into a confining chamber. Hale also taught even distribution through a device over the bin that reciprocated back and forth. The Isom and Sutherland British patents respectively taught the use of a 'tamping member' and a vertical compression chamber."

After weighing carefully the differences between the prior art and the subject matter of petitioner's patents, the District Court made these decisive findings (A23-A24):

> "While Hesston's patents certainly demonstrate the work of a skilled mechanic, the differences between these patents and the prior art do not achieve a non-obvious, patentable difference. The Hesston patents have combined old elements that continue to function in the same capacity as they did outside Hesston's combinations, and they do not perform a new and different function even though Hesston wagons succeeded in producing a striking result by combining the old elements."

How well-based those findings are the Court may judge for itself by referring to claim 1 of the old Isom patent and claim 1 of the Sutherland patent, quoted by the District Court (A15) as apt summaries of what those prior-art patents taught.

Pertinent as it was, the prior art embodied in earlier patents was not the only evidence that petitioner's patents are invalid. In addition, all of Lundahl's work was prior art against the petitioner's Garrison patents, and Lundahl's early work — in the public domain by reason of public use and sale — was prior art against petitioner's Lundahl patents. The facts in that regard, next to be related, make an interesting story in their own right.

C. Cordell Lundahl's Early Work With Stacking Wagons, And The Role It Played As Prior Art Against Petitioner's Patents.

Cordell Lundahl's early work with haystack-making wagons took place in the years 1964-1966, his initial concept having involved the formation of a haystack in the bed of a wagon, with stack compression achieved by moving a false front backward across the wagon bed to compress the hay against the rear doors (A4). In addition to such horizontal compression, Cordell Lundahl's early haystack wagons had two swingable gate-like presses which compacted hay vertically; and, in his later models, Lundahl added supplemental compressors to the underside of the gate-like presses to give the hay still more vertical compression (A4-A5).

During the winter of 1965-66, Ezra C. Lundahl Inc. decided to put Cordell Lundahl's haystack-forming wagon on the market, and to that end an advertisement was placed in the *Montana Farmer-Stockman*, issue of February 3, 1966, announcing a "one man automatic feeding system for long hay" that would "also stack and compress loose hay from the windrow" (A5). As a result of that advertisement Ezra C. Lundahl Inc. sold a haystacking wagon to DePuy Enterprises Inc. on July 1, 1966, such wagon being the one referred to in the opinions

below as the "DePuy machine" (A5). That machine, as sold, contained Cordell Lundahl's most advanced stack-forming mechanism, but it did not contain any apparatus for picking up cut hay and placing it in the wagon bed; hence it had to be loaded with a tractor-operated pitch-fork (A5). (Lundahl, at the time, planned to improve the machine by adding a pickup mechanism; in fact, the Lundahl company promised (15b) to provide DePuy with an automatic pickup attachment in time for use during the 1967 haying season.)

The DePuy machine, having been sold in July, 1966, and publicly used in Montana during 1966 and 1967, was held by the courts below to be in the public domain by virtue of 35 U.S.C. §102(b), and hence to have been prior art against all of the petitioner's patents. (The earliest one of petitioner's applications was lodged in the Patent Office more than a year after the DePuy machine had been sold and placed in public use.)

In attacking that holding, petitioner calls the DePuy machine an "Unsuccessful Abandoned Experiment" (p. 6), but without even attempting to show that the District Court's finding to the contrary (A25) was erroneous.

In truth a wealth of evidence supported — indeed demanded — the finding that the sale of the DePuy machine was a routine commercial transaction, effective under 35 U.S.C., §102(b), to make the machine prior art against all patent applications filed more than a year later. The proofs show that the DePuy machine was not constructed as ruggedly as it should have been, but apart from that it worked very well. That is evident from the testimony of both Warren A. DePuy and his son, David W. DePuy, both of whom criticized only the lightness of the machine's

construction rather than the manner in which it did its job. Thus, they complained that the machine's sides had to be reinforced (8b-9b), that a bar had to be added across the end to keep the two sides from spreading apart (7b), that it had proved necessary to reinforce the tailgate to withstand the pressure generated by compressed hay in the wagon (7b-8b), and that the rear-end actuating mechanism was dangerous because, on being unlatched, the tailgates would swing open violently when the wagon contained a stack of hay (12b).

Those criticisms were probably justified; it does appear that Cordell Lundahl, in engineering the DePuy machine, did not make it as strong as he should have. Nonetheless the record leaves no doubt that when the machine worked, as it did nearly all the time, it did its job well. Both Warren and David DePuy testified (8b, 12b) that the machine stacked six hundred acres of hay in 1966 (300 acres through first and second cuttings) and at least three hundred additional acres of hay in 1967.

Neither at the trial nor on the ranch did DePuy criticize the quality of the haystacks his machine made when it was working. In fact, on an occasion when Cordell Lundahl was at DePuy's ranch with representatives of petitioner, Warren DePuy was asked if any of his haystacks had gone moldy, and DePuy replied that he would "buy them a steak dinner if they could find any stacks on his ranch with mold in them" (18b).

Even those periods in which the DePuy machine was out of service for repairs were minor compared to the time it was on the job. Thus, the downtime claimed by the DePuys for the whole season of 1966 amounted to only

42 hours out of a total work period of eight to twelve weeks (9b).

In sum, the proofs show that the DePuy machine made good haystacks when it was working, and it worked about 90% of the time. Its shortcomings stemmed from lack of ruggedness rather than faulty concept.

The evidence also rebuts petitioner's pretension that the DePuy machine was a mere abandoned experiment, as opposed to a commercial sale and public use. Thus:

(a) The DePuy machine was negotiated for and bought in response to a commercial advertisement in *Montana Farmer-Stockman,* placed by Ezra C. Lundahl Inc. (11b).

(b) Nothing in the record, either by way of documentary evidence or testimony, suggests that the DePuy machine was contemporaneously represented by its manufacturer to be an experimental machine or so considered by DePuy, who bought it. On the contrary, the DePuys recognized from the start that the machine was sold "on a regular commercial basis" (10b), under a full warranty of fitness (14b). Confirming this, DePuy Enterprises Inc. filed a suit in early 1968 against Ezra C. Lundahl Inc. and petitioner, as its successor, seeking damages for breach of contract (14b). (The specific breaches complained of (16b) were failure to provide a self-loading attachment as promised, failure to supply new tires as promised, and failure to cure defects in the machine.)

(c) In defending the DePuy lawsuit, the Lundahl company did not plead that the transaction involved an experimental machine. On the contrary, Ezra C. Lundahl Inc. acknowledged its liability for the machine's structural shortcomings by paying $2,999 in settlement of DePuy's claim (13b).

(d) Neither Cordell Lundahl nor his attorney Lynn G. Foster considered the DePuy machine experimental. On the contrary, Lundahl was so concerned about petitioner's failure to file a patent application in his behalf before the first anniversary of the DePuy sale that he consulted Foster for advice, and was told that the DePuy sale might well raise a statutory bar against any later patent application that Cordell Lundahl might file. Foster, in fact, testified (7b):

> "If it had been my understanding that Hesston had declined to file prior to the DePuy anniversary, I would have taken drawings and prepared the application myself."

In sum, the contemporaneous evidence proves that the sale and public use of the DePuy machine occurred in the ordinary course of business rather than as part of an experimental project.

Within a few months after petitioner took over the business of Ezra C. Lundahl Inc. on August 1, 1966, a prototype haystacking machine embodying Cordell Lundahl's concepts had been completed, and in early 1967 it was field-tested in Arizona and Florida (A5). That prototype wagon included pressing components, a hay pickup device, an elevator for carrying the hay into the wagon, a structure for spreading the hay evenly, a tailgate that could be opened to unload the formed stack, and a device for pushing the formed stack out of the wagon and onto the ground (A5-A6).

In mid-1967 petitioner's engineer Garrison, who had helped Lundahl complete the aforementioned 1966-67 prototype machine, returned to petitioner's Kansas headquarters to design a haystacking wagon for commercial manufacture that would be "functionally equivalent although structurally different" from the Lundahl 1966-67 prototype (A6). In carrying out that assignment, Garrison improved certain features of the earlier Lundahl wagon, and his version of the machine had been reduced to practice by the fall of 1968 (A6).

Although Lundahl's concepts and wagon development had antedated all of Garrison's work, the first patent application filed by petitioner was a Garrison application directed to his second-generation haystack-forming wagon (A6). Moreover, in prosecuting that initial Garrison application, petitioner failed to disclose to the Patent Office the facts concerning the prototype Lundahl stacking wagons and their role as the starting point of Garrison's work (A6).

Similarly, in prosecuting the Lundahl applications, the first of which was filed in November, 1969, petitioner never disclosed to the Patent Office the 1966 sale and public use of the DePuy machine, which—apart from its lack of an automatic pickup mechanism— was essentially the same haystack-forming wagon that the Lundahl patent applications disclosed and claimed (A9, A24-A25).

On the facts as above recounted, the District Court rightly held (a) that the DePuy machine was legally prior art against both the Lundahl and the Garrison applications (A24), (b) that petitioner, Lundahl, and Garrison were all familiar with the DePuy machine and its

possible implications for subsequent patent applications (A25), (c) that the Garrison and Lundahl patents were "unpatentable in light of the sale of the DePuy machine more than one year prior to the filing of the patent applications" (A25), and (d) that the 1966-67 Lundahl prototype machine was, relative to the Garrison applications, prior art which should have been disclosed to the Patent Office (A18).

On the basis of those findings, taken with the other prior art, the District Court analyzed the claims in suit to determine what the patents covered (A19), pointed out that the structural elements claimed in petitioner's patents were all individually old (A20-21), and held that those old elements, when combined as they are in petitioner's patents, "continue to function in the same capacity as they did outside Hesston's combinations", without performing any "new and different function" (A23-24). Thus analyzed, petitioner's patents were plainly invalid as a matter of law, and the District Court so adjudged them (A25-A26).

In sum, petitioner is wrong in contending (p. 9) that the judgment below resulted from "unorthodox and legally incorrect . . . approaches to the question of patentability". On the contrary, petitioner's patents were held invalid for an orthodox reason—namely, that their subject matter was found, as a matter of fact, to be obvious in view of the prior art.

ARGUMENT

As we have just shown, the record rebuts petitioner's contention that the judgments below resulted from errors of law. The courts below adhered scrupulously to the law as spelled out in *Great A. & P. Tea Co.* v. *Supermarket Equipment Corp.* (1950), 340 U.S. 147, 152, and as restated in *Graham* v. *John Deere Co.* (1966), 383 U.S. 1, 3, 5-6, *Anderson's-Black Rock Inc.* v. *Pavement Salvage Co.* (1969), 396 U.S. 57, 61, and *Sakraida* v. *Ag Pro, Inc.* (1976), 425 U.S. 273, 280-281.

This case, like each of those famous precedents, involves patents "for a combination which only unites old elements with no change in their respective functions" (*A. & P.*, 340 U.S. at 152); hence, the cited cases govern the present one.

Without any real application to this case is petitioner's long argument (pp. 12-15) wherein it asks this Court to echo the Seventh Circuit* and reject synergism as a standard for determining whether a combination of old elements may be patented. First off, petitioner's patents were held invalid because "the differences claimed in the Hesston patents in issue would be *obvious* to one reasonably skilled in the art" (A23); the absence of synergism was accorded only secondary attention. And, secondly, petitioner errs (as did the Seventh Circuit in *Republic*) in assuming that synergism, as a concept in patent law, is relevant only in connection with interpretation of the obviousness statute, 35 U.S.C., §103.

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* *Republic Industries, Inc.* v. *Schlage Lock Co.* (7th Cir., 1979), 592 F.2d 963.

In truth, it is the *Constitution* which forbids the grant of a patent on a combination of old elements that perform only their known conventional functions, without any "synergistic result". This Court so held in *Anderson's-Black Rock Inc.* v. *Pavement Salvage Co.* (1969), 396 U.S. 57, 61, wherein this Court, in a unanimous opinion wrote:

> "The patent standard is basically constitutional, Article I, §8, of the Constitution authorizing Congress '[t]o promote the Progress of . . . useful Arts' by allowing inventors monopolies for limited times. We stated in *Graham* v. *John Deere Co.*, 383 U.S. 1, 6, that under that power Congress may not 'enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain or to restrict free access to materials already available. Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must "promote the Progress of . . . useful Arts." This is the *standard* expressed in the Constitution and it may not be ignored.'" (Emphasis in original.)

In *John Deere* (1966), 383 U.S. 1, 5-6, this Court explained thus the restraint imposed upon the powers of Congress by Article I, §8, cl. 8, of the Constitution:

> "The clause is both a grant of power and a *limitation.* This qualified authority, unlike the power often exercised in the sixteenth and seventeenth centuries by the English Crown, is limited to the promotion of advances in the 'useful arts.' . . . The Congress in the exercise of the patent power *may not overreach the restraints imposed by the stated constitutional purpose.*"

This Court added (383 U.S., at 6):

> "Within the scope established by the Constitution, Congress may set out conditions and tests for patentability. . . . It is the duty of the Commissioner of Patents and of the courts in the administration of the patent system to *give effect to the constitutional standard* by appropriate application, in each case, of the statutory scheme of the Congress."

The lesson clearly taught by *John Deere* and *Black Rock* is that §103's restriction of patentability to non-obvious subject matter is an "additional condition" which a patent must satisfy to pass judicial muster, *over and above* the requirements for invention imposed by the Constitution (*John Deere,* 383 U.S. at 17). In other words, a patent must be held invalid without any inquiry into obviousness if it fails to pass the *Constitutional* test (i.e., lacks synergism, in the case of a combination of old elements). And, even if a patent does pass the Constitutional test, it still, under §103, must be held invalid unless it *also* meets the statutory requirement of non-obviousness.

Of no greater worth than petitioner's argument on synergism is its argument (pp. 15-19) concerning the law of experimental use and sale. In that context, petitioner condemns the courts below for according to the DePuy machine the status of prior art. The right thing to do, petitioner says, would have been to declare the DePuy machine an "abandoned experiment".

In so arguing, petitioner assumes that the decisions below concerning the DePuy machine stemmed entirely from reliance on *Robbins Co.* v. *Lawrence Mfg. Co.* (9th Cir., 1973), 482 F.2d 426, 433, wherein it was held, in construing 35 U.S.C., §102(b), that a sale will raise a statu-

tory bar "*unless* the contract of sale or the offering for sale contains an express or clearly implied condition that the sale or offering is made primarily for experimental use". (Emphasis in original.)

The District Court did, it is true, cite and quote from *Robbins* (A25); but the Court of Appeals made no reference to it. And, more importantly, it is plain as day that the District Court's finding that the DePuy sale was a business transaction, as opposed to an experiment, was based on far more evidence than just the terms of the advertisement and sales contract. (See pp. 5-9, *supra.*)

In short, this case certainly doesn't turn on the issue whether *Robbins* or *Yarn Processing** states the better rule for determining when a sale is commercial as opposed to experimental. The DePuy sale was plainly a commercial transaction, whichever one of those precedents be followed.

Finally, petitioner (pp. 19-21) again ignores the record in accusing the District Court of disregarding the individual claims in suit; the District Court *did* consider them, and summarized their recitals in its opinion (A19).

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* 498 F.2d 271, 287 (5th Cir., 1974)

CONCLUSION

This is a routine patent case which was decided on its facts, with no novel or disputed point of law involved. Nothing in it calls for this Court's attention, and the petition for writ of certiorari should be denied.

Respectfully submitted,

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APPENDIX

Testimony of Lynn G. Foster

Direct Examination

By Mr. McDougall:

Q. Where do you reside, Mr. Foster? A. 625 Northcrest Drive in Salt Lake City.

Q. What is your profession? A. I'm a patent attorney.

Q. Are you a member of the bar of the State of Utah? A. I am.

Q. Are you admitted to practice before the United States Patent Office? A. I am.

Q. Just by way of background, how long have you been a lawyer, Mr. Foster? A. Since 1964.

Q. Have you practiced throughout that period in the City of Salt Lake City? A. No.

Q. Where did you commence your practice? [1721] A. I practiced for something over a year in Michigan.

Q. And then came out to Salt Lake City? A. I was with Judge Smith's old law firm in Dearborn.

Q. Oh, yes. This is the man who later went to the Court of Custom and Patent Appeals.

The Reporter: What was the Judge's name?

A. Judge Arthur Smith.

Q. (By Mr. McDougall) I take it you're also a member of the bar of Michigan? A. I am.

Q. Will you give the Court a summary of your education beyond the high school level, and tell us where you went to law school, and so forth. A. Yes. I was a student at Brigham Young University in their engineering curriculum for a period of years. My anticipated curriculum there was somewhat protracted, because I also played intercollegiate baseball. BYU at the time was having some difficulty obtaining accreditation for that particular school. So as a result of some encouragement from others, I transferred to the University of Michigan; grad-

uated from the University of Michigan in 1959, Tau Beta Pi, in their engineering program.

Q. Let me interrupt you. Is Tau Beta Pi an honorary society? A. Yes.

[1722] Q. Go ahead. A. I intended to enroll immediately in law school and had been accepted by several law schools; but because of the increasing size of my family, I found it necessary to work for a period of time and ultimately enrolled in George Washington University and graduated there with a law degree.

Q. George Washington University is located at Washington, D. C. A. Correct.

Q. Were you doing work that was in any way related to patents during the period that you were in law school? A. I was an employee of the U. S. Patent Office for about a year and a half; and then I worked a patent law firm, primarily preparing patent applications and amendments to patent applications for about a year and a half.

Q. So from a practical point of view, you were advancing your patent knowledge while you were in law school? A. Yes. I was reasonably well trained by the time I graduated.

Q. Very good. From the fact that you started your college career at Brigham Young, I take it that you are a native Utahn? That is to say, you didn't come out here recently? You grew up out here, did you not?

[1723] A. No, I did not. I'm from Idaho.

Q. Are you? Now, what was the first occasion that you can remember on which you became acquainted with either Ezra or Cordell Lundahl? A. To the best of my recollection, I first met Cordell when he came to my office for some assistance on a 1966 agreement and assignment matter with the Hesston people. He needed some contract interpretation.

Q. Did you meet Cordell's father Ezra on that occasion? A. At about the same time. I can't remember whether on first meeting they came together.

Q. At that particular time that you were first consulted by Cordell Lundahl, was there any element of dissatisfaction with Hesston expressed, or was it just a case of trying to do a lawyer's job with contracts? A. Well, the contract, the 1966 agreement between the Lundahls and Hesston had been consummated by execution, and I wasn't involved in that at all. This was either very late in 1966 or in January of '67 more or less. And there was—

Q. Well, now, Mr. Foster, I recognize that there are areas of privilege which you may prefer not to go into, and I don't want to ask you to go into them; but to the extent you are fairly certain that the events are known to [1724] the third party anyway, will you please tell the Court briefly what it is that was troubling Cordell Lundahl when he came to see you and what specifically you did about it. A. Cordell was concerned about what his duties and obligations were under the '66 agreement with Hesston, and also what their duties were, and particularly in respect to seeking and obtaining patent protection on the bulk hay wagon.

Q. What did Cordell say to you with respect to Hesston's action or lack thereof on that subject up to that point? A. Well, we discussed his contractual concerns in terms of the DePuy sale and what that meant; and he asked me for assistance in determining what under the contract he could do and what under the contract Hesston was obligated to do in regard to timely seeking patent protection on the DePuy development.

Q. Now, Mr. Foster, there has been a testimony—and, incidentally, the record will make it clear on this, you are still representing the Lundahls, are you not? A. I am.

Q. In that capacity have you attended a good many, at least, of the sessions of trial, the ones at all events in which your clients were testifying [1725] A. I have.

Q. Now, you have heard reference made by Cordell, then, and by other witnesses, as well, I think, to the

thought that getting valid patent protection on this stacking hay wagon might be intimately related to whether it was filed within a year after the sale of the DePuy wagon. You've heard such testimony, I'm sure. A. Oh, yes.

Q. Tell me, what is the fact as to whether Cordell's feelings in that respect were influenced in any way by advice from you? A. Well, I'm sure that Cordell's point of view was influenced by what I had to say.

Q. Did you tell him that you thought it made a great deal of difference in the probable validity of any patent protection that could be secured as to whether it was filed?

Mr. Schmidt: A leading question—

Mr. McDougall: I just asked him, your Honor, what did he tell him. All right. I withdraw the question, your Honor. I certainly don't want to lead Mr. Foster. On the other hand, I think he can take care of himself, your Honor. He certainly is qualified.

Q. (By Mr. McDougall) What, if anything, to the extent that you feel you can without having a privilege [1726] problem, what if anything did you tell Cordell were your own views of the law in regards to this matter of the criticality of the July 1, '67 date? A. Well, first of all, Cordell spent a good deal of time educating me on the technology of handling hay. This was the first time within my technical experience and my legal experience that I had had anything really to do with hay in depth, apart from using a pitchfork when I was a boy.

And it was Cordell's judgment sometime around or shortly after the first of the year, 1967, that the most significant part of his work on bulk hay was what has been referred to as the vertical compaction or the overhead press, whatever, in this trial. And, therefore, my expression, little opinion, was based upon Cordell's indication that that was the significant part of the work he had done. And I said, "Obviously, that was part and parcel

of the machine sold to DePuy, albeit there might be some justification in one competent in the law assuming that still there were experimental aspects to that machine, still it was a sale." And under Section 102 of the statute, there can accrue a statutory bar as a result of a sale. My position on it was, "You're better off to be safe than sorry." And since there was ample time remaining, why not file?

[1727] Q. Now— A. May I continue?

Q. Oh, please. I'm sorry. I thought you had stopped. It was a just a pause. A. Well, I had stopped on that thought. The next question was whether or not we could file, or if Hesston had to. And I made a review of the contract just briefly, and it was my opinion that Cordell had no right to file until this matter had been presented to the Hesston people and that they had either said, "Yes, we will file," or, "No, we won't."

In the event that they said they would not file, we would then, based upon my interpretation of the contract, have been entitled to file in our own right. And because of that state of affairs, and to insure that the matter was timely handled, the Ramada Inn meeting was scheduled.

Q. My next question was going to be about that subject. You've heard other witnesses say you were there. Is it a fact that you were there? A. I was.

Q. Did you, as Cordell testified, pretty much act as the spokesman for the Hesston interest—pardon me—the Lundahl interests? A. Yes, I did.

Q. Did Mr. Schlichting or anyone else representing [1728] Hesston make a statement to you at that meeting along the lines of his testimony today to the effect that Hesston disagreed with the view that the DePuy wagon posed a threat of a statutory bar? A. No. My recollection of the meeting—and, mind you, it was a long time ago, and I don't remember exact words. All I remember about it is the mental impressions that I carried away from the meeting. I recall nothing about either side talk-

ing in any great detail about whether we had strong views on the statutory bar or we didn't.

The subject of the DePuy sale was mentioned. So that everybody understood that that was the deadline that we were concerned about. I don't remember the Hesston people saying, "We disagree, we don't consider it a deadline." But on the other hand, I don't remember that they agreed. It seems to me that they were somewhat noncommittal on the question.

Q. Well, now, I'd like to ask just one more question about the Ramada Inn meeting. It's been aired by several witnesses, and I don't think we need to go over it all again. But tell me, Mr. Foster, what impression you had from the Hesston people at the time the meeting broke up with regard to their intentions. A. Well, if I might narrate just a little—

Q. Please do. [1729] A. I knew Gordon Schmidt personally, because we had prior dealings on another matter. And so upon coming into the room, I greeted him as a fellow member of the bar whom I knew. I did not know the other two gentlemen, but came later to recognize Mr. Schlichting. I understand the other was Merele Helferich, but I wouldn't know him if he walked in the door now.

So I don't remember anything about it. And I don't remember that he took any real active participation in the meeting. I remember my concern about the meeting. The reason for the meeting was to precipitate a decision. And we had gone far enough so that I had taken the liberty—and I have them in my hand now—of preparing Patent Office Bristol board drawings on this development.

And that was at considerable expense. They were prepared on a special kind of paper in India ink by a person who has to be quite competent.

And as a result of our discussions as to whether or not a patent application would be filed and whether or not Hesston would do it or we would do it, I was left

to the clear impression that Hesston had made a commitment to do it. And I offered to Mr. Schmidt this set of Bristol boards, saying, "would you like these, so that you might by using them save some time?" And he declined to accept them, feeling that he would prefer to have his own subcontractor [1730] or employee prepare them.

But I can assure you that I would not have offered these drawings had I not had the understanding that an application was going to be prepared by Hesston. If it had been my understanding that Hesston had declined to file prior to the DePuy anniversary, I would have taken drawings and prepared the application myself.

DAVID W. DEPUY

called as a witness on behalf of the defendants, having been heretofore duly sworn, resumed the stand and testified further as follows:

Cross-Examination

By Mr. Scott:

• • •

Q. Now, you testified about some of the work that was done on the machine when you had some problems with it and you were referring I believe to a letter, which is in evidence as Exhibit 20-A, that is Deere Exhibit 20-A when you were discussing that, were you not? A. Yes.

Q. What that amounts to is you found that the sides of the wagon had to be reinforced and that you had to put that bar across the end to keep the two sides from spreading apart? A. Right.

Q. And you had to do work to reinforce the tailgate as well? A. Yes.

Q. And is this the only piece of farm equipment that your father has ever owned that you ever had to do any repair work on? A. Oh, I wouldn't say that.

Q. How many acres of hay did you put up with that [2215] wagon you bought from the Lundahls during the 1966 haying season? A. I don't know the exact acre-

age. It seems to me that it was somewhere in the vicinity of 300, but it has been so long since I have worked that ground I couldn't tell you for sure.

Q. How many days would you say you used the wagon during the 1966 haying season to put up approximately 300 acres of hay? A. We started sometime the first part of July, and if I recall correctly we were done with the first cutting sometime toward the middle of August, and that hay wagon wouldn't have been used every day during that time. And then there was a time that it was used in September when we stacked the second cutting of alfalfa, there wasn't too much of that. As to the exact number of days, I don't know.

Q. But in the first cutting it was about 30 days from start to finish, although you say the wagon was not used every one of those days? A. It was somewhere between four and six weeks that we used that wagon as near as I can remember.

Q. And that would be for both cuttings? A. No, for the first cutting.

Q. For the first cutting? A. Yes.

[2216] Q. And then the second cutting, can you estimate how many days? A. No, I don't remember. I know we put up a second cutting with it and that's all I can remember.

Q. And in the course of the first cutting was it then that you had most of these problems that had to be solved by these reinforcement-type repairs that you made? A. When we initially started there were some problems that had to be taken care of at that time, and then problems developed as the machine was used. I was very careful with the machine not to exert too much pressure on anything because it could have been broken at any time if I had been careless.

Q. Essentially you found that the machine exerted more compression on the hay than the sides, the tailgate was designed to take, that was the problem? A. That's correct.

Q. So you had to beef up the sides and the tailgate? A. Even then you had to be careful with it.

Q. Now, in this letter 20-A, Exhibit 20A, I notice that there is the statement that, "Because of mechanical failure plaintiff claims he had 42 hours of down time in 1966." Does that accord approximately with your recollection and— A. I kept no log of the time that— but I know there [2217] was considerable time that the machine was down. As to the hours, I don't know.

[2218] Q. So 42 hours of down time out of four to six weeks of operation in the first cutting and whatever time the second cutting took? A. Uh huh.

Q. Is that about right? A. It seems to be a reasonable estimate. It could have been more. I don't know at this time.

Q. Well, it's the position that the plaintiff was asserting in the lawsuit, is it not? A. That's correct.

Q. What about the use of the machine during the 1967 haying season? Were you still working there in 1967? A. No. No. I passed the bar exam in 1966, in the latter part of October, and I never ran the machine. I was never near it until last Friday.

Q. Do you know whether or not it was used again during the 1967 haying season? A. Yes, I seen them working, using it in the hay fields.

Q. Who operated it that season, if you know? A. It's my understanding that my other brother-in-law, Fred Walker, operated it, but I don't know whether he operated it exclusively or part of the time.

* * *

Q. Did you yourself see the ad that appeared in the February 1966 issue of the Montana Farmer-Stockman? That's Deere Exhibit 136. A. I remember my father showing an ad in the Montana Farmer-Stockman. As to which issue of the magazine it was, that I don't know.

Q. Do you recall that it was the ad which I am now placing in front of you, regardless of the issue in which it appeared? A. I am not certain it was that particular ad. It was [2221] an ad, and my recollection was that it was a larger ad, but even this I'm not sure of.

Q. Well, this text which reads, "Same wagon compresses loose hay into neat uniform stacks without any manual handling, complete year-round loose hay program, wagon will also stack and compress loose hay from the windrow," does that sound like a description of the same machine that you saw advertised? A. Yes. Uh huh.

Q. And you understood that that machine was being sold on a regular commercial basis? A. That was my understanding at that time, yes.

Mr. Scott: That's all the cross-examination we have, your Honor.

• • •

WARREN A. DEPUY

called as a witness on behalf of the defendant, being first duly sworn, testified as follows:

• • •

[2222] *Direct Examination*

By Mr. Schmidt:

Q. I do. Where do you live? A. What? Where do I live?

Q. Yes. A. I live approximately seven miles in a southerly direction from Livingston, Montana.

Q. Is that in a town or on a farm or ranch or what? A. On a ranch.

Q. How long have you lived there? A. Since about 1906.

Q. What kind of a ranching operation do you carry on there? A. It is a cow ranch primarily and with some timber growing and some recreation facilities.

Q. Do you own or operate your own ranch? A. What?

Q. Do you own or operate your own ranch? A. Yes, sir.

Q. What kind of haying operation do you carry on on that ranch? A. We raise mostly grass hay. Some alfalfa is planted for reseeding, but it doesn't last too long. And we put up this hay in the summer, and then we distribute it to the cattle in the winter.

[2223] Q. Are you the father of David DePuy? A. Yes, sir.

Q. Did you hear his testimony this morning? A. I did.

Q. Are you familiar with the so-called Lundahl haying wagon? A. Well, I am.

Q. How did you come about acquiring that wagon? A. I saw an advertisement. I can't recall exactly—maybe a—what paper it was in. But then I contacted them, and they sent some literature and so forth, and I purchased it.

Q. Would you please look at Deere Exhibit 136 and tell me whether or not that was the ad that you saw.

A. I'm not sure. I saw an ad, but that's been a long time ago, and it might have been a different ad. I mean, in a different paper. I'm not positive that I looked at that particular ad.

Q. Did you see an ad of that nature? A. Yes. Definitely.

Q. About when was that? A. Sometime in the fore part of 1966.

Q. Now, how did you place your order for that machine? A. Well, I had got their literature, and then there [2224] was some correspondence, and I placed it—they told me that they wouldn't be able to supply only part of the machine; that the part of the machine that picked up the hay out of the window and elevated it up and placed it into the hay wagon would not be available on a commercial scale until the following year.

I then ordered it, with the understanding that—and they told me I could place this hay in and get by in a pinch with a farmhand. And I ordered it with the understanding that this pickup contraption or machine that went on the head of it would be available before the following haying season.

Q. Do you recall approximately when this machine was then delivered to your ranch? A. Sometime in July. They notified me they were going to be late because they were adding an improvement, some kind of a compres-

sion bar, and that it would be delivered, and it was delivered sometime in July.

• • •

Q. Did you take part personally in using that machine or using the Farmhand loader in 1966? A. Yes. I—that was my end of the work—delivering the hay up to it in the Farmhand, elevating it, and dumping it into the hay box.

Q. Do you recall who operated the wagon itself? A. My son David operated the wagon.

Q. Did that continue throughout the 1966 haying season? A. Yes.

• • •

[2228] Q. Now, I am not sure that you have said one way or another as to whether or not that machine was used in the 1967 hay season. A. Yes, it was used some, but not much.

Q. And by whom? Who used it? A. Well, one party I believed his name was Fred Walker.

Q. And what did he operate, the Farmhand? A. No, he operated the other. The Farmhand I pretty well took care of that.

Q. You took care of it as well in '67? A. Yes.

Q. What were your experiences by way of the performance of that machine in 1967? A. Well, it just phased —we just had to phase it out.

Q. Well, what were the difficulties? A. Well, one of the difficulties is the tailgate had a huge bar so big I guess (indicating), and when you compressed against it the bar got a circle into it and had to be straightened, and that didn't hold.

And another thing, it was a dangerous thing that when they opened it up they had a little bar like that is on the brakes, a little wheel like on the brake of an old time boxcar, and they twisted—you twisted that and unhooked the chain, and then you had to get—there was a lever then [2229] that worked on the cam that let this big bar out, and you pulled it around to let your hay out. Well, that was—had to be a pipe used for—an extension handle to push that in, and it flew in all directions and it was not a safe situation.

• • •

Q. (By Mr. Schmidt) What did you mean by phasing out the machine? A. Well, we just went to putting up our hay in another method.

Q. When did you do that? A. When?

Q. When did you phase out the machine and—A. '67.

Q. About what time of the year? [2230] A. Oh, I suppose in July or August, I don't remember exactly. That's a long time ago.

• • •

Q. Now, to your own personal knowledge do you know what happened to that lawsuit? A. What happened to it? It was settled.

Q. And in what manner, do you know? A. Well, I received a certain amount of money and the attorneys received their amount of money and I retained possession of the machine.

Q. From whom was that money received? [2232] A. I suppose it was from Lundahl, it was paid—I don't know, but it was paid to me and the attorneys. I believe Lundahl's attorneys paid my lawyer, or some such thing.

Q. You now have before you Hesston Exhibit R-9, Hesston Exhibit R-10, Hesston Exhibit R-11, Hesston Exhibit R-12, Hesston Exhibit R-13, and Hesston Exhibit R-14. Now, will you note for me please in Hesston Exhibit R-9 a letter dated April 5, 1971, the language which reads in the first paragraph, quote, under the settlement Mr. DePuy will keep all of the machinery, quote.

Do you note that? A. Yes.

Q. What does that mean, "keep all of the machinery," to your personal knowledge? A. It would mean keeping that hay wagon and that was all the machinery that was connected with this.

Q. Did you in fact keep the hay wagon? A. Yes.

Q. And you will note in the next paragraph, "We will be forwarding the draft in the amount of $2999, plus a release and stipulation of dismissal in approximately ten days." Did you in fact receive—A. I did.

Q. —the $2999? [2233] A. I—my attorney took his fee out of that.

Deere Exhibit 18

IN THE
DISTRICT COURT OF THE SIXTH JUDICIAL
DISTRICT OF THE STATE OF MONTANA,
IN AND FOR THE COUNTY OF PARK

• • •

No. 12590

DePUY ENTERPRISES, INC.,

Plaintiff,

vs.

EZRA C. LUNDAHL, INC.,

Defendant.

AMENDED COMPLAINT

Comes now the plaintiff, as and for an Amended Complaint herein against the defendant, alleges as follows:

I.

That the defendant is a corporation periodically doing business within the State of Montana.

II.

That prior to June 22, 1966, the defendant, Ezra C. Lundahl, Inc., advertised for sale in various farm publications having a general circulation in the State of Montana, a mechanical haywagon, showing that the same was to have an automatic pickup for loose hay.

III.

That plaintiff became interested in purchasing the product as advertised, and requested of the defendant literature thereon.

IV.

That the defendant forwarded literature to the plaintiff representing and warranting the fitness of the product for the uses intended, and further warranting and representing the capabilities of said equipment.

Deere Exhibit 18

V.

That relying on said representations and warranties, the plaintiff on June 22, 1966, ordered said equipment, specifying with the order that it was understood that the self-loading attachment would fit the haywagon ordered and that it would be available for the 1967 hay crop, and paying $1,000.00 thereon as a down payment; that thereafter the defendant represented to plaintiff that the equipment could be delivered in July of 1966, and further, that a representative of the company would accompany the delivery of the equipment to instruct the plaintiff in its use, and further, to make whatever repairs or adjustments were necessary.

VI.

That representatives of the defendant did, in fact, accompany the delivery of the equipment to Livingston, Montana, and attempt to instruct the plaintiff in use thereof.

VII.

That, at Livingston, Montana, when representatives of the defendant were present, the defendant again represented the capabilities of the equipment and did further warrant the fitness thereof for the intended use, and did assure the plaintiff that the self-loading attachment would be available for the hay season of 1967, and the defendant further warranted and agreed to make further adjustments to the said equipment so that it would accomplish the purposes for which it was intended, and further agreed to place new tires thereon in place of the used ones which were thereon when it was delivered.

VIII.

That, relying on such representation, on July 17, 1966, the plaintiff paid to the defendant the balance of the purchase price of the haywagon which was delivered, in the amount of $3,500.00.

Deere Exhibit 18

IX.

That the defendant on numerous other occasions since July 17, 1966, has represented and warranted to the plaintiff that deficiencies in the equipment would be cured and corrected.

X.

That the representations as to fitness of the equipment for the purposes for which it was intended, the representations of the defendant to cure such defects, to deliver new tires, and to furnish automatic loading equipment by the hay season of 1967, were false and fraudulent, and were made with no intention to perform the same or any thereof, and with the intention not to perform the same, and the defendant has in all respects failed to abide by its agreement or to produce under its warranties, and such equipment has not, does not, and will not perform the functions attributed to it by the defendant, and the hay-loading attachment which was agreed to be furnished for said equipment by the hay season of 1967, has not even been manufactured, and was clearly not manufactured by the hay season of 1967, or at all, and has never been delivered to the plaintiff.

XI.

That as a result of the defendant's false and fraudulent representations, the plaintiff has been damaged in the sum of $4,500.00, the purchase price of said equipment, which equipment plaintiff herewith tenders to the defendant.

XII.

That as a result of the false and fraudulent representations of the defendant, and plaintiff's reliance thereon, plaintiff has been unable to use such equipment and has been required to purchase and rent other equipment, and has suffered damages for time during which attention was delivered to said machine and other work was not done, and purchase repair equipment, and suffered damage in loss of hay, and suffered general damage in the full amount of $5,670.00.

Deere Exhibit 18

That in all respects, defendants' actions toward plaintiff have been oppressive and vexatious, and defendant therefore ought to pay to the plaintiff the sum of $10,000.00 as punitive damage, and by way of example.

WHEREFORE, plaintiff prays judgment against the defendant as follows:

I.

For the sum of $4,500.00 as refund of the purchase price of said equipment.

II.

For the additional sum of $5,670.00 general damages.

III.

For the sum of $10,000.00 punitive damages.

IV.

For such other and further relief as to the Court may seem just and proper.

V.

For plaintiff's costs and disbursements herein incurred.

/s/ Lyman H. Bennett, Jr.

Lyman H. Bennett, Jr.
24 West Main Street
Bozeman, Montana 59715
Attorney for Plaintiff.

Testimony of Cordell Lundahl

[1500] EZRA CORDELL LUNDAHL, called as a witness on behalf of the plaintiffs, having been heretofore duly sworn, testified further as follows:

Direct Examination

By Mr. McDougall:

• • •

[1515] Q. Tell the Court everything you can recall in chronological order about trips that, a trip or trips, that were made by you to Livingston, Montana, to the DePuy ranch at which Hesston people were in your company.

A. Well, I know that there was—there was one time that we went up in Hesston's airplane.

• • •

[1516] Q. You mentioned the Hesston Company airplane. Were all of the trips made in that airplane, or were there other ways that you used to get up there?

A. I think we drove once, and I think we went once in my airplane. I tried to make it a point to take everyone that was involved in Hesston. One of the things that they were concerned about was the high amount of moisture that we were putting the hay up with; and I can remember that they asked Mr. DePuy if he had any stacks that went moldy as a result of this high moisture, and he made a statement at that time that he would buy them a steak dinner if they could find any stacks on his ranch with mold in them.

• • •

[1517] Q. The next question is, did the Hesston people in your presence see any of the hay stacks which DePuy had made with your machine?

A. Yes, sir.

Q. You just testified on at least one occasion he used a grapple fork and opened up a stack to show the condition of hay.

A. Yes, sir.

Q. Did it prove to be good or bad, as you remember?

A. Well, it was good. Or, we would have had a steak dinner.